



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
OWSLEY COUNTY SHERIFF**

Calendar Year 1998

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmie W. Herald, Owsley County Judge/Executive

Honorable Paul Short, Owsley County Sheriff

Honorable Robert Tye Hensley, Former Owsley County Sheriff

Members of the Owsley County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Owsley County, Kentucky, as of December 31, 1998.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Owsley County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

EXECUTIVE SUMMARY
OWSLEY COUNTY
ROBERT TYE HENSLEY, FORMER SHERIFF
CALENDAR YEAR 1998
FEE AUDIT

On August 23, 2000, fieldwork was completed on the December 31, 1998, former Owsley Sheriff's fee audit. An unqualified opinion was rendered on the financial statements. There were two report comments.

Excess Fees:

The former Sheriff had no excess fees and earned a salary of \$38,545. If adequate fees had been available the former Sheriff could have earned \$ 48,726.

Deposits:

Bank deposits were insured or properly collateralized with bank assets during calendar year 1998.

Audit Findings:

The Former Sheriff Should File An Annual Settlement With The Fiscal Court.

The Former Sheriff Should Publish A Financial Statement.

**AUDIT EXAMINATION OF THE
FORMER OWSLEY COUNTY SHERIFF**

Calendar Year 1998

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To the People of Kentucky

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Honorable Robert Tye Hensley, Former Owsley County Sheriff

Members of the Owsley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Sheriff of Owsley County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Owsley County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts and disbursements of the Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
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Honorable Robert Tye Hensley, Former Owsley County Sheriff
Members of the Owsley County Fiscal Court
(Continued)

Based on the results of our audit, we have presented a schedule of Comments and Recommendations, included herein, which discusses the following areas of noncompliance:

- The Former Sheriff Should File An Annual Statement With The Fiscal Court
- The Former Sheriff Should Publish a Financial Statement

In accordance with Government Auditing Standards, we have also issued a report dated August 23, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.



Berger & Ross, PLLC

Audit fieldwork completed -
August 23, 2000

OWSLEY COUNTY
FORMER SHERIFF ROBERT TYE HENSLEY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND EXCESS

FEES

Calendar Year 1998

Receipts

State:

Finance and Administration Cabinet	\$ 1,890	
State advancement	9,000	
Miscellaneous	<u>1,382</u>	\$ 12,272

Fiscal Court:

Salary Contribution	\$ 5,880	
Office Expense	3,850	
Election Commission	195	
Transporting Prisoners	224	
Miscellaneous	<u>97</u>	10,246

Circuit Court Clerk:

Arrest Fees	\$ 1,552	
Security Fees	<u>1,159</u>	2,711

County Clerk – Fees on Delinquent Taxes	483
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Commissions on Tax Collections	19,848
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Bank Shares – State	864
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Fees Collected For Services:

Auto Inspection	\$ 47	
Accident/Police Reports	67	
Serving Papers	<u>3,280</u>	3,394

Other Fees:

KRCC-Transporting Patients	\$ 2,503	
Letters on Delinquent Taxes	123	
Interest	145	
Carrying Concealed Deadly Weapon Permits	560	
Advertising	216	
Miscellaneous	<u>1,283</u>	<u>4,830</u>

Gross Receipts (Carried Forward)	\$ 54,648
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The accompanying notes are an integral part of the financial statement.

OWSLEY COUNTY
 FORMER SHERIFF ROBERT TYE HENSLEY
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Gross Receipts (Carried Forward)		\$	54,648
<u>Disbursements</u>			
Vehicles Expenses-			
Gasoline and Auto Repairs			2,177
Supplies and Materials-			
Office Materials and Supplies	\$	575	
Uniforms		<u>330</u>	905
Others Charges-			
Telephone	\$	3,488	
Rent on Radio Tower		225	
Advertising		68	
Carrying Concealed Deadly Weapon Permits - State Treasurer		<u>240</u>	4,021
Debt Service:			
State Advancement	\$	9,000	
Bank Note and Interest		<u>3,184</u>	<u>12,184</u>
Total Disbursements			\$ 19,287
Less: Disallowed Disbursements-			
Bank Note and Interest			<u>3,184</u>
Total Allowable Disbursements			<u>\$ 16,103</u>
Net Receipts		\$	38,545
Less: Statutory Maximum			<u>48,726</u>
Excess Fees		<u>\$</u>	<u>-</u>

The accompanying notes are an integral part of the financial statement.

OWSLEY COUNTY
FORMER SHERIFF ROBERT TYE HENSLEY
NOTES TO THE FINANCIAL STATEMENT
December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when revenue and the related asset can be associated with corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentality's, obligations and contracts for future delivery or purchase of obligations back by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

OWSLEY COUNTY
FORMER SHERIFF ROBERT TYE HENSLEY
NOTES TO THE FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 8.22 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

OWSLEY COUNTY
FORMER SHERIFF ROBERT TYE HENSLEY
COMMENTS AND RECOMMENDATIONS

Calendar Year 1998

STATE LAWS AND REGULATIONS

1. **The Former Sheriff Should File An Annual Settlement With The Fiscal Court**

KRS 134.310 requires the former Sheriff to file an annual settlement with the Fiscal Court. As of the audit date, the Sheriff had not filed a settlement with the Fiscal Court. We recommend the Sheriff file his annual settlement.

2. **The Former Sheriff Should Publish A Financial Statement**

KRS 424.220(6) requires that the former Sheriff publish an annual settlement within 60 days after the close of the calendar year. As of the audit date, the Sheriff had not published an annual settlement. We recommend that the Sheriff publish his annual settlement.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Jimmie W. Herald, County Judge/ Executive
Honorable Robert Tye Hensley, Former Owsley County Sheriff
Members of the Owsley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Former Owsley County Sheriff As of December 31, 1998, and have issued our report thereon dated August 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Owsley County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Owsley County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance with Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
August 23, 2000

